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# PORTFOLIO ADVISORY INSIGHTS

## 3 scenarios for 2023

The Fed wants restrictive for an extended period. The message is clear. But the range of plausible economic and market outcomes is wide.

A recession is not inevitable. Here are **three** plausible scenarios.

### Short, shallow reaction

In this scenario, the Fed hikes too far, too quickly, and is forced to cut rates almost immediately after reaching the terminal rate. Right now, that is priced to be above 5.00%, with around 0.50% of rate cuts over the following six months.

### Painful non-linear recession

Recessions tend to be non-linear. Economic contraction and collapsing sentiment reveal unexpected economic vulnerabilities. In this scenario, poor credit quality and rising rates gives way to a credit crunch, with a deeper, more painful recession.

### Extended pause

The Fed has historically paused for a long period of time after reaching its terminal rate. This tends to extend the economic cycle. In this scenario, growth slows but remains positive, while core inflation falls below the Fed Funds rate.

### What does this mean for the economy and assets?

	GDP	Inflation	Fed. Funds Rate	Equities returns	Treasuries returns
Short shallow reaction	↓	↓	↓	↔	↑
Painful non-linear recession	↓↓	↓↓	↓↓	↓	↑↑
Extended pause	↓	↓	↑	↑	↑

Oreana Portfolio Advisory Service has been working with investors to build investment solutions that deliver through the cycle - whether they are implemented via model, SMA or MDA. We have a range of managed account solutions available - and can help build bespoke solutions.

Contact PAS for further information.

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Isaac is the Global Chief Investment Officer and Portfolio Manager for Oreana Financial Services. With experience across investment strategy, portfolio and risk management, research and central banking in Asia, the UK and Australia, he leads the team in monitoring economic and market outlooks.

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